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FOR COMMERCE/MEPD

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SUBJECT: MAJOR PROJECT: PETROCHEMICAL INDUSTRY

REF: STATE 097578 STATE 116181

1. COMMERCIAL ATTACHE MET ON JULY 12 WITH DR. ALFREDO RIVIERE, TECHNICAL EXECUTIVE SECRETARY FOR THE NATIONAL COUNCIL OF THE PETROCHEMICAL INDUSTRY (CONIP), AND DR. MAXIMO SILBERG, ONE OF THE DIRECTORS OF CONIP.
2. THE LONG AWAITED DEFINITIVE PLAN FOR THE PETROCHEMICAL INDUSTRY IN VENEZUELA HAS BEEN PUBLISHED AND APPROVED BY THE CABINET. THE PLAN IS HIGHLY DETAILED AND IS CONTAINED IN 20 SEPARATE VOLUMES. THERE ALSO EXISTS A ONE VOLUME CONDENSATION OF THE PLAN. DESPITE THE FACT THAT IT HAS RECEIVED CABINET APPROVAL, COMMERCIAL ATTACHE WAS INFORMED THAT THE MINISTRY OF MINES AND HYDROCARBONS HAS ORDERED THE PLAN TO BE HELD FROM PRESS, PUBLIC AND EMBASSIES UNTIL AT LEAST THE END OF JULY.
3. RIVIERE OFFERED AND COMMERCIAL ATTACHE ACCEPTED INVITATION FOR MEMBER OF COMMERCIAL SECTION TO REVIEW CONDENSED VOLUME OF PLAN IN RIVIERE'S OFFICE FOR ONE AFTERNOON. THIS WILL ALLOW US AT LEAST TO OBTAIN A LIST OF PRIORITIES IN PLANT CONSTRUCTION, SITE OF PLANTS ENVISAGED, AND GENERAL TIMETABLE AND GROUND RULES FOR FOREIGN FIRMS.

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4. DR. SILBERG CAUTIONED THAT AT THE MOMENT WE SHOULD "MOVE WITH

LEAD FEET" IN PROMOTING U.S. INTEREST IN THE PETROCHEMICAL INDUSTRY BECAUSE THE GOVERNMENT OF VENEZUELA AS YET HAS NO OPERATIONAL ORGANIZATION TO COPE WITH THE GRANDIOSE TASK OF DEVELOPING A BROAD SPECTRUM PETROCHEMICAL INDUSTRY. DR. SILBERG EXPLAINED AND DR. RIVIERE REAFFIRMED THAT WHILE PETROCHEMICAL DEVELOPMENT TO SOME EXTENT WAS NOMINALLY ASSIGNED TO PETROVEN, THE LATER ORGANIZATION HAS YET TO INSTITUTIONALIZE THIS RESPONSIBILITY AND UNTIL THEY DO SO, VERY LITTLE CAN BE DONE ABOUT IMPLEMENTING THE PLAN.

5. RIVIERE MENTIONED THAT IN DISCUSSIONS WITH HIS UNCLE, PRESIDENT CARLOS ANDRES PEREZ, THE NOTION WAS PUT FORWARD THAT PERHAPS CONIP SHOULD BE TRANSFERRED TO PETROVEN TO BECOME THE OPERATIONAL ARM OF PETROVEN DEALING WITH THE DEVELOPMENT OF THE PETROCHEMICAL INDUSTRY. RIVIERE CAUTIONED, HOWEVER, THAT THIS MOVE AT THE MOMENT WAS NO MORE THAN SPECULATION.

6. RIVIERE EXPRESSED ACUTE EMBARRASSMENT WITH REGARD TO THE PRESENT SITUATION IN THE PETROCHEMICAL INDUSTRY. HE CONSTANTLY RECEIVES HIGH-LEVEL DELEGATIONS FROM VARIOUS COUNTRIES EXPRESSING INTEREST IN ENTERING INTO JOINT VENTURES WITH THE GOVERNMENT OF VENEZUELA TO PRODUCE SPECIFIC PETROCHEMICALS, AND HE IS COMPLETELY AT A LOSS AS TO WHAT TO ADVISE THEM.

7. COMMENT: THE DEVELOPMENT OF THE PETROCHEMICAL INDUSTRY IS BESET WITH POLITICAL PROBLEMS. LEFT LEANING DEPUTIES AND SENATORS IN THE CONGRESS ARE RELUCTANT TO SEE ANY GOV AFFILIATION WITH FOREIGN PRIVATE SECTOR FIRMS IN DEVELOPING THE INDUSTRY. THE PRESENT PETROCHEMICAL INDUSTRY IS DISGRACEFULLY INEFFICIENT AND HAS BEEN BESET WITH SERIOUS TECHNICAL AND ORGANIZATIONAL PROBLEMS SINCE ITS INCEPTION. THUS, FEELINGS EXIST THAT FURTHER DEVELOPMENT OF THE INDUSTRY MIGHT BE JUST MORE OF THE SAME. FINALLY, PETROVEN HAS ITS PLATE FULL
SIMPLY CONSOLIDATING THE RECENT NATIONALIZATION
OF THE PETROCHEMICAL INDUSTRY AND IN EXPANDING ITS REFINING CAPACITY.

8. THE EMBASSY WILL FORMULATE A REPORT ON WHAT CAN BE GLEANED IN AN AFTERNOON'S PERUSAL OF THE CONDENSED VERSION OF THE PLAN, AND WILL REMAIN ALERT
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THE PROPHOUS TIME TO PROMOTE U.S. INVOLVE-
MENT IN VENEZUELA'S PETROCHEMICAL SCHEME.
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